

RAPIDES PARISH LIBRARY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

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May 10, 2013

Independent Auditors' Report

To the Board of Control
Rapides Parish Library

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rapides Parish Library, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

-Members-

American Institute of Certified Public Accountants • Society of Louisiana CPAs

Rapides Parish Library

May 10, 2013

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OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rapides Parish Library, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

RAPIDES PARISH LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

This section of the annual financial report presents our discussion and analysis of the Rapides Parish Library's financial performance during the fiscal year ended December 31, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Rapides Parish Library's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Rapides Parish Library as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Rapides Parish Library's assets and all of its liabilities. All of the Library's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by property taxes, grants, and investment income.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Rapides Parish Library's most significant activities and are not intended to provide information for the Library as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Rapides Parish Library's funds are Governmental Funds. These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Rapides Parish Library's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

FINANCIAL ANALYSIS OF THE RAPIDES PARISH LIBRARY AS A WHOLE

An analysis of the government-wide Statement of Net Position is presented as follows:

RAPIDES PARISH LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

	December 31,	
	2012	2011
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 2,070,146	\$ 1,752,077
Receivables	4,598,067	4,098,447
Other Assets	----	1,154
Capital Assets	5,736,906	5,866,186
Total Assets	<u>12,405,119</u>	<u>11,717,864</u>
<u>Liabilities:</u>		
Accounts Payable	152,940	102,008
Accrued Interest	10,162	14,911
Deferred Revenue	21,388	45,278
Contingent Liabilities	----	49,566
Accrued Leave	99,199	93,990
Net Other Post Employment Benefits	1,293,552	1,054,980
Long Term Debt		
Due Within One Year	389,000	372,000
Due In More Than One Year	407,000	796,000
Total Liabilities	<u>2,373,241</u>	<u>2,528,733</u>
<u>Net Position:</u>		
Invested in Capital Assets	4,940,906	4,698,186
Restricted For:		
Permanent Endowment Fund	67,569	66,299
Library Collection Acquisition	16,534	15,681
Unrestricted	5,006,869	4,408,965
Total Net Position	<u>\$ 10,031,878</u>	<u>\$ 9,189,131</u>

As the presentation appearing above demonstrates, a substantial portion of the Rapides Parish Library's net position (49.9%) is unrestricted and may be used to meet the Rapides Parish Library's ongoing obligations. In addition, a large portion of the net position (49.3%) is invested in capital assets. The remaining net position is restricted as described below:

Permanent Endowment Fund:

A portion of the Library's net position (0.7%), is subject to permanent restrictions imposed by the donors that provided the resources. The permanently restricted net position is held in an endowment fund. The original contributions to the endowment fund must be maintained perpetually and only the investment income from the endowment fund is available for expenditures. Investment income from the endowment is used to finance the acquisition of library collection items.

Library Collection Acquisition:

A portion of the net position (0.1%) is attributable to investment income earned by the endowment fund. These resources are available for the future acquisition of library collection items.

RAPIDES PARISH LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS **December 31, 2012**

An analysis of the government-wide Statement of Activities is presented as follows:

	For the Year Ended December 31,	
	2012	2011
<u>Revenues:</u>		
Program Revenue:		
Charges for Services	\$ 89,906	\$ 96,630
Operating Grants and Contributions	225,702	219,071
Capital Grants and Contributions	----	----
General Revenue:		
Property Taxes	4,924,511	4,426,396
Revenue Sharing	194,603	195,516
Investment Income	23,206	33,492
Other	----	9,693
Total Revenue	<u>5,457,928</u>	<u>4,980,798</u>
<u>Program Expenses:</u>		
Library Services	4,582,164	4,580,047
Interest on Long Term Debt	33,017	47,007
Total Program Expenses	<u>4,615,181</u>	<u>4,627,054</u>
Change in Net Position	842,747	353,744
Net Position Beginning	9,189,131	8,835,387
Net Position Ending	<u>\$ 10,031,878</u>	<u>\$ 9,189,131</u>

As the accompanying presentation demonstrates, the Library has experienced favorable financial trends. Net Position has increased by \$842,747 representing an improvement of 9.2% over the net position for the previous year.

FINANCIAL ANALYSIS OF THE RAPIDES PARISH LIBRARY'S FUNDS

For the year ended December 31, 2012, governmental fund balances increased by \$839,059. Differences between the change in fund balances and the change in government-wide net position are attributable to excluding capital assets and long-term liabilities from the fund financial statements.

BUDGET HIGHLIGHTS

For the year ended December 31, 2012, general fund revenue and other sources exceeded budgeted amounts by \$695,520. In addition, expenditures were under budget by \$294,839. Budget amendments increased appropriations by \$20,191 (0.4%). The budget amendments were necessary to fulfill minor needs that were not anticipated when the original budget was adopted.

RAPIDES PARISH LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

CAPITAL ASSET ADMINISTRATION

Capital asset acquisitions were limited primarily to ordinary additions to and replacement of library collection items. Remaining additions were attributable to minor improvements to miscellaneous equipment acquisitions.

DEBT ADMINISTRATION

Long term debt activity was limited to payment of installments due on existing obligations. Remaining activity was limited to changes in employee accrued leave balances.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

At the present time, no factors have been identified that are expected to have a significant effect on future operations.

Rapides Parish Library

Statement of Net Position

December 31, 2012

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,070,146
Receivables (net)	4,598,067
Capital Assets	
Land	480,811
Depreciable Capital Assets	5,256,095
Total Assets	12,405,119
<u>LIABILITIES</u>	
Accounts Payable	152,940
Accrued Interest	10,162
Deferred Revenues	21,388
Accrued Leave	99,199
Net Other Post Employment Benefits	1,293,552
Long-Term Liabilities	
Due Within One Year	389,000
Due In More Than One Year	407,000
Total Liabilities	2,373,241
<u>NET POSITION</u>	
Investment in Capital Assets, Net of Related Debt	4,940,906
Restricted for:	
Permanent Endowment Fund (Nonexpendable)	67,569
Library Collection Acquisitions (Expendable)	16,534
Unrestricted (deficit)	5,006,869
Total Net Position	\$ 10,031,878

The accompanying notes are an integral part of the financial statements.

Rapides Parish Library

Statement of Activities

For the Year Ended December 31, 2012

	Governmental Activities
Expenses:	
Library Services	
Payroll	\$ 2,134,932
Benefits	992,974
Insurance	26,317
Materials and Supplies	231,406
Rent and Lease Expense	19,131
Repairs and Maintenance	191,735
Utilities and Telephone	283,139
Depreciation	615,729
Other Expenses	86,801
Interest on Long Term Debt	<u>33,017</u>
 Total Expenses	 4,615,181
 Program Revenues:	
Charges for Services	89,906
Operating Grants and Contributions	225,702
Capital Grants and Contributions	<u>-</u>
 Net Expenses	 <u>4,299,573</u>
 General Revenues:	
Property Taxes (net)	4,924,511
Revenue Sharing	194,603
Investment Income	<u>23,206</u>
 Total General Revenues	 <u>5,142,320</u>
 Change in Net Position	 842,747
Net Position - Beginning	<u>9,189,131</u>
 Net Position - Ending	 <u>\$ 10,031,878</u>

The accompanying notes are an integral part of the financial statements.

Rapides Parish Library

Balance Sheet - Governmental Funds

December 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,987,667	\$ 82,479	\$ 2,070,146
Receivables (net)	4,596,443	1,624	4,598,067
Total assets	\$ 6,584,110	\$ 84,103	\$ 6,668,213
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 152,940	\$ -	\$ 152,940
Deferred Revenues	21,388	-	21,388
Total liabilities	174,328	-	174,328
<u>Fund Balance</u>			
Non Spendable	-	67,569	67,569
Restricted For Acquisition of Library Collection	-	16,534	16,534
Committed To:			
Bookmobile Replacement	70,745	-	70,745
HVAC Replacement	46,035	-	46,035
Vehicle Replacement	82,218	-	82,218
Automation	332,206	-	332,206
Unassigned	5,878,578	-	5,878,578
Total Fund Balances	6,409,782	84,103	6,493,885
Total Liabilities and Fund Balance	\$ 6,584,110	\$ 84,103	\$ 6,668,213

The accompanying notes are an integral part of the financial statements.

Rapides Parish Library

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position

Year Ended December 31, 2012

Total Fund Balances - Governmental Funds	\$ 6,493,885
Amounts reported for governmental activities in the statement of net position are different because:	
Long term debt and related accruals are not due and payable in the current period and are not reported in the funds.	(2,198,913)
Capital assets used in governmental activities are not financial resources and therefore the following amounts are not reported in the funds.	
Land	480,811
Depreciable Capital Assets	<u>5,256,095</u>
Net Position of Governmental Activities	<u>\$ 10,031,878</u>

The accompanying notes are an integral part of the financial statements.

Rapides Parish Library

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes (net)	\$ 4,924,511	\$ -	\$ 4,924,511
Revenue Sharing	194,603	-	194,603
Investment Income	22,353	853	23,206
Other	314,338	1,270	315,608
	<u>5,455,805</u>	<u>2,123</u>	<u>5,457,928</u>
<u>Expenditures:</u>			
Library Services (Current)			
Payroll	2,129,723	-	2,129,723
Benefits	754,402	-	754,402
Insurance	26,317	-	26,317
Materials and Supplies	231,406	-	231,406
Rent and Lease Expense	19,131	-	19,131
Repairs and Maintenance	191,735	-	191,735
Utilities and Telephone	283,139	-	283,139
Other Expenses	86,801	-	86,801
Capital Expenditures			
Buildings and Equipment	106,398	-	106,398
Library Collection	380,051	-	380,051
Debt Service	409,766	-	409,766
	<u>4,618,869</u>	<u>-</u>	<u>4,618,869</u>
Net Change in Fund Balance	836,936	2,123	839,059
Fund balance - Beginning of Year	<u>5,572,846</u>	<u>81,980</u>	<u>5,654,826</u>
Fund balance - End of Year	<u>\$ 6,409,782</u>	<u>\$ 84,103</u>	<u>\$ 6,493,885</u>

The accompanying notes are an integral part of the financial statements.

Rapides Parish Library

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended December 31, 2012

Net change in fund balances of Governmental Funds	\$ 839,059
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.	(129,280)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	372,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds.	<u>(239,032)</u>
Change in net position of governmental activities	<u>\$ 842,747</u>

The accompanying notes are an integral part of the financial statements.

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rapides Parish Library has been established under Louisiana Law in order to maintain a collection of books, periodicals, audio recordings, video recordings, and other media for the benefit of the Parish's citizens. The collection is made available to the public at branches located throughout Rapides Parish. In addition, bookmobile and red carpet services are provided for patrons that do not have convenient access to the branch network. The Rapides Parish Library is governed by the Board of Control, which is appointed by the Rapides Parish Police Jury.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the reporting entity to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Rapides Parish Library is a component unit of the Rapides Parish Police Jury. The accompanying component unit financial statements present information only on the funds maintained by the Rapides Parish Library and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize all of the Rapides Parish Library's

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

operations as governmental activities. Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.

The government-wide and fund financial statements present the Rapides Parish Library's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Rapides Parish Library as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service. Program revenues include charges for services, contributions to specific programs, and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Major individual funds are reported as separate columns in the fund financial statements. The Rapides Parish Library's major funds include the general fund and a fund established to account for capital projects. The general fund is the primary operating fund and it is used to account for all resources, except those required to be accounted for in other funds.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements	Modified Accrual Basis	Current Financial Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is generally considered available if it is collected within 60 days of year end or may otherwise be available to finance current expenditures. In addition, expenses are generally recorded when a liability has been incurred. Furthermore, when the current financial resources measurement focus is used, amounts recorded as

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget Practices

The Board of Control adopts annual budgets for the general fund and each special revenue fund in the manner prescribed by State Law. These budgets present revenue and expenditures on a basis consistent with generally accepted accounting principles.

Capital Assets

Capital assets include buildings, equipment, vehicles and portions of the Library's collection that are expected to remain in service for a period of years. Capital assets are reported in the government-wide financial statements but are excluded from the fund financial statements. Instead, the funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are reported at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method and estimated useful lives that are based on the expected durability of the particular asset. Useful lives range from 5 to 40 years depending on the nature of the capital asset.

Cash

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments.

Deferred Revenues

Amounts received from grants and other sources that do not currently meet criteria for recognition as revenue are reported as deferred revenues. These amounts remain in deferred revenues until revenue recognition criteria are met or the funds are returned to the source.

Accrued Leave

The Library's employees earn from 80 to 160 hours of vacation pay annually depending upon job classification and length of employment. Unused vacation time that an employee may carry forward to the next year is limited to the amount that the employee is eligible to earn in a single year.

Internal Balances

Internal balances arise from transactions between funds. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

expected to occur, interfund receivables and payables are recorded. Internal balances are eliminated in preparing government-wide financial statements.

Fund Balance Classifications

Commitment or assignment of fund balances requires approval of a majority of the Library's Governing Board based on a vote conducted in an open meeting. When expenditures comply with the necessary provisions restricted, committed or assigned amounts are generally consumed rather than utilizing unassigned funds.

NOTE 2 – PROPERTY TAXES

Property taxes are assessed based on values determined by the Rapides Parish Tax Assessor. These taxes are billed and collected on behalf of the Library by the Rapides Parish Sheriff's Office. For the year ended December 31, 2012, the Library has levied property taxes as follows:

	<u>Millage</u>	<u>Expiration</u>
Parish-wide Tax for improving, constructing, maintaining and operating public libraries in the Parish	7.08	2023

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Rapides Parish Library's cash balances at December 31, 2012 are summaries as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Petty Cash	\$ 610	\$ ----	\$ 610
Demand Deposits	1,455,854	14,910	1,470,764
Certificates of Deposit	531,203	67,569	598,772
Total	<u>\$ 1,987,667</u>	<u>\$ 82,479</u>	<u>\$ 2,070,146</u>

Deposits in financial institutions totaled \$2,119,368 (collected bank balance). These deposits are secured from risk by \$501,500 in Federal Deposit Insurance and pledged securities with a market value of \$3,359,849. The pledged securities are held by a custodial bank in the name of the pledging institution (fiscal agent). However, State Law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

The Rapides Parish Library limits credit risk by requiring pledged securities in the manner described above. In addition, interest rate risk is minimized by acquiring only those certificates of deposit that have an original maturity of two years or less.

NOTE 4 - RECEIVABLES

Receivables are reported net of fees and other statutory amounts withheld by agencies responsible for collecting taxes. In addition, property taxes receivable has been reported net of a reserve for uncollectible taxes. The reserve balance of \$100,000 was determined by management based on collection experience. Receivables at year end are summarized as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 4,466,754	\$ ----	\$ 4,466,754
Revenue Sharing	129,689	----	129,689
Total Due from Other Governmental Units	4,596,443	----	4,596,443
Accrued Interest	----	1,624	1,624
Total	<u>\$ 4,596,443</u>	<u>\$ 1,624</u>	<u>\$ 4,598,067</u>

NOTE 5 - CAPITAL ASSETS

A summary of the Rapides Parish Library's capital assets is provided as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 480,811	\$ ----	\$ ----	\$ 480,811
<u>Capital Assets Subject to Depreciation:</u>				
Buildings and Improvements	4,736,656	----	----	4,736,656
Equipment	1,836,670	85,498	20,539	1,901,629
Vehicles	172,104	20,900	14,276	178,728
Library Collection	4,355,775	380,051	401,908	4,333,918
Less Accumulated Depreciation	(5,715,830)	(611,622)	(432,616)	(5,894,836)
Total Subject to Depreciation	<u>5,385,375</u>	<u>(125,173)</u>	<u>4,107</u>	<u>5,256,095</u>
Total Net of Depreciation	<u>\$ 5,866,186</u>	<u>\$ (125,173)</u>	<u>\$ 4,107</u>	<u>\$ 5,736,906</u>

NOTE 6 - PAYABLES

Accounts payable at year end are summarized as follows:

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

	<u>Total</u>
Accounts Payable to Venders	\$ 60,146
Accrued Wages	88,895
Payroll Withholding	<u>3,899</u>
Total Payables	<u>\$ 152,940</u>

NOTE 7 – ACCRUED LEAVE

Resources provided by the general fund are used to liquidate the accrued leave balances. Accrued leave balances and activity are presented as follows:

Beginning Balance	\$ 93,990
Net Increase (Decrease)	<u>5,209</u>
Ending Balance	<u>\$ 99,199</u>

NOTE 8 – DONOR RESTRICTED ENDOWMENTS

The Rapides Parish Library has been awarded funds that are subject to permanent restrictions imposed by donors. Under these arrangements, the original contributions must be maintained perpetually and income earned from the investment of the endowment may be used to acquire library collection items. Accordingly, a permanent fund has been established to account for the original endowment and a special revenue fund has been established to account for investment income attributable to the endowment. Details related to each fund are provided as follows:

	<u>Endowment Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 67,569	\$ 14,910	\$ 82,479
Receivables (Accrued Interest)	----	1,624	1,624
Fund Balance	<u>\$ 67,569</u>	<u>\$ 16,534</u>	<u>\$ 84,103</u>

The endowment fund is invested in certificates of deposit and interest earned by the certificates is recorded as income by the special revenue fund.

NOTE 9 - RISK MANAGEMENT

The Rapides Parish Library is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

The Rapides Parish Library insures against these risks by participating in a public entity risk pool that operates as a common insurance program and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In order to avoid the excessive cost of obtaining commercial insurance coverage, the Rapides Parish Library has elected to forego insurance coverage for errors and omissions. Furthermore, the Rapides Parish Library has elected to indemnify its board members for any errors and omissions claims that they may experience in connection with their service as a board member. The Rapides Parish Library has not experienced any errors and omissions claims since electing to forego insurance coverage.

NOTE 10 – OPERATING LEASES

The Rapides Parish Library has acquired certain facilities and office equipment necessary for operations by executing lease agreements. Rental expense associated with these leases totaled \$15,000 for the year ended December 31, 2013. Furthermore, the leases are scheduled to expire in 2013 and there is no significant remaining lease obligation.

NOTE 11 – RETIREMENT PLAN

Substantially all employees of the Rapides Parish Library are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the library are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Library funds are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Members are required by state statute to contribute 9.5% of their annual covered salary and the library is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the library are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The library's contributions to the System for the years ending 2012, 2011 and 2010 were \$290,319, \$291,914, and \$284,078, respectively. These contributions were equal to the required contributions for each year.

NOTE 12 – POST EMPLOYMENT BENEFITS

Details regarding other post employment benefits that the Library provides for its workforce are provided as follows:

Plan Description

The Library's established policies and procedures include providing certain healthcare benefits for retirees. This policy amounts to a single-employer defined benefit healthcare plan (the Plan) administered by the Library. The Plan provides medical benefits through the Library's group health insurance plan which covers both active and retired members. Benefits under the plan are made available to employees upon actual retirement. The Plan does not issue a publicly available financial report. Plan participants are typically eligible for healthcare benefits when they become eligible for benefits from the Parochial Employees' Retirement System of Louisiana.

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. Until January 1, 2009, the Library recognized the cost of providing post-employment medical benefits (the Library's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. For the year ended December 31, 2012, the Library's portion of health care funding cost for retired employees totaled approximately \$70,702.

Effective with the Fiscal Year beginning January 1, 2009, the Library implemented Government Accounting Standards for Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions. The provisions have been implemented on a prospective basis.

Annual Required Contribution

The Library's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with Governmental Accounting Standards Board (GASB) Pronouncements. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level percentage of payroll, closed amortization period of 25

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

years (the maximum amortization period allowed) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2011 is \$321,503, as set forth below:

Normal Cost	\$ 206,396
25-year UAL amortization amount	<u>115,107</u>
Annual required contribution (ARC)	<u>\$ 321,503</u>

Net Post Employment Benefit Obligation (Asset)

The table below shows the Library's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2012:

Annual required contribution	\$ 321,503
Interest on Net OPEB Obligation	16,145
Adjustment to annual required contribution	<u>(28,374)</u>
Annual OPEB Cost	309,274
Current year retiree premium	<u>(70,702)</u>
Change in Net OPEB Obligation	238,572
Beginning Net OPEB Obligation	<u>1,054,980</u>
Ending Net OPEB Obligation	<u>\$ 1,293,552</u>

The following table shows the Library's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2010	\$ 472,196	14.5%	\$ 807,232
December 31, 2011	\$ 309,274	19.9%	\$ 1,054,980
December 31, 2012	\$ 309,274	22.9%	\$ 1,293,552

Funded Status and Funding Progress

In the fiscal year ending December 31, 2012, contributions to the post employment benefits plan were limited to paying premiums for existing retirees eligible for benefits under the plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2011, the

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$3,179,501, which is defined as that portion, as determined by a particular actuarial cost method (the Library uses the Alternative Measurement Method in accordance with GASB methodology), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2012, the entire actuarial accrued liability of \$3,179,501 was unfunded.

Actuarial Accrued Liability (AAL)	\$ 3,179,501
Actuarial Value of Plan Assets	----
Unfunded Act. Accrued Liability (UAAL)	\$ 3,179,501
Funded Ratio	0%
Covered Payroll (active plan members)	\$ 1,907,119
UAAL as a percentage of covered payroll	1.67%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Library and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Library and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Library and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Alternative Measurement Method in accordance with GASB methodology. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Actuarial Value of Plan Assets

The plan has not been funded accordingly there are no plan assets.

Turnover Rate

Actuarial assumptions are based on standard turnover assumptions published by GASB.

Post employment Benefit Plan Eligibility Requirements

Eligibility for benefits begins at retirement and entitlement to benefits continues through to death.

Investment Return Assumption (Discount Rate)

Generally Accepted Accounting Principles state that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 2% annual discount rate has been used in this valuation. This discount rate is consistent with the Library's typical return on short term investments.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on trends that are expected to evolve over time. The initial rate and the ultimate rate expected take effect within ten years are presented as follows:

	<u>Initial Rate</u>	<u>Ultimate Rate</u>
Health	8.00%	5.50%
Pharmacy	9.00%	4.70%
Dental	4.00%	3.00%
Vision	3.00%	3.00%

Mortality Rate

The expected rate of mortality is based on published rate tables (RP2000 Mortality Table for Males and Females).

NOTE 13 – LONG-TERM DEBT

The following is a summary of transactions involving long-term debt for the year ended December 31, 2012:

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Bonds payable, January 1, 2012	\$ 1,168,000
New issues	----
Retirements	372,000
Bonds payable, December 31, 2012	796,000
Due within one year	389,000
Due in more than one year	<u>\$ 407,000</u>

Long-term debts consist entirely of Limited Tax Certificates, Series 2007 dated March 28, 2007 issued in the original amount of \$2,500,000. The certificates feature interest computed at a rate of 3.83%. The bonds mature serially with the initial principal payment due March 1, 2008 and the final payment due March 1, 2014. The certificates are secured by and payable from an irrevocable pledge and dedication of the Libraries property tax revenue.

A schedule of maturities for these bonds is presented as follows:

<u>Year Ended December 31st</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 389,000	\$ 23,037
2014	407,000	7,794
Total	<u>\$ 796,000</u>	<u>\$ 30,831</u>

NOTE 14 – FUND BALANCES

Portions of the Governmental Fund Balances are subject to requirements that limit how the resources may be utilized. A detailed description of these limitations is presented as follows:

	Non Spendable	Restricted	Committed
As discussed in Note 8, the Library's endowment fund is subject to permanent restrictions imposed by donors.	\$ 67,569	\$ ----	\$ ----
Income from the Library's endowment fund is available only for additions to the Library collection.	----	16,534	----
The Governing Board has designated a portion of the general fund balance for replacement of the Library's Bookmobile equipment.	----	----	70,745
The Governing Board has designated a portion of the general fund balance for improving heating, ventilation and air conditioning components.	----	----	46,035

RAPIDES PARISH LIBRARY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

	Non Spendable	Restricted	Committed
The Governing Board has designated a portion of the general fund balance for the eventual replacement of vehicles in the Library's fleet.	----	----	82,218
The Governing Board has designated a portion of the general fund balance for automation of Library activities.	-----	-----	332,206
Total	<u>\$ 67,569</u>	<u>\$ 16,534</u>	<u>\$ 531,204</u>

Rapides Parish Library

Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund Budget and Actual For the Year Ended December 31, 2012

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<u>Revenues:</u>				
Property Taxes	\$ 4,204,000	\$ 4,201,447	\$ 4,924,511	\$ 723,064
Revenue Sharing	200,525	200,525	194,603	(5,922)
Investment Income	28,000	28,000	24,476	(3,524)
Other	309,692	332,436	314,338	(18,098)
Total revenues	<u>4,742,217</u>	<u>4,762,408</u>	<u>5,457,928</u>	<u>695,520</u>
<u>Expenditures:</u>				
Library Services				
Payroll	2,190,280	2,190,280	2,129,723	60,557
Benefits	814,107	814,107	754,402	59,705
Insurance	23,500	25,064	26,317	(1,253)
Materials and Supplies	267,260	274,317	231,406	42,911
Rent and Lease Expense	25,580	25,580	19,131	6,449
Repairs and Maintenance	255,110	257,050	191,735	65,315
Utilities and Telephone	355,600	355,600	283,139	72,461
Other Expenses	134,399	147,613	86,801	60,812
Capital Expenditures				
Building and Equipment	33,320	20,000	106,398	(86,398)
Library Collection	384,750	394,486	380,051	14,435
Debt Service	409,611	409,611	409,766	(155)
Total expenditures	<u>4,893,517</u>	<u>4,913,708</u>	<u>4,618,869</u>	<u>294,839</u>
Net Change in Fund Balance	(151,300)	(151,300)	839,059	990,359
Fund Balance - Beginning of Year	<u>5,654,826</u>	<u>5,654,826</u>	<u>5,654,826</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 5,503,526</u>	<u>\$ 5,503,526</u>	<u>\$ 6,493,885</u>	<u>\$ 990,359</u>

Rapides Parish Library

Schedule of Funding Progress **Retiree Healthcare Plan**

	Actuarial Valuation Date December 31, 2009	Actuarial Valuation Date December 31, 2011
Actuarial Value of Assets	\$ -	\$ -
Actuarial Accrued Liability	\$ 4,293,819	\$ 3,179,501
Unfunded Actuarial Accrued Liability	\$ 4,293,819	\$ 3,179,501
Funded Ratio	0.00%	0.00%
Covered Payroll	\$ 1,940,704	\$ 1,970,538
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	221.3%	161.4%

Supplemental Disclosures:

At December 31, 2012, management was not aware of any factors expected to significantly affect the identification of trends in the amounts reported

ROZIER, HARRINGTON & MCKAY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 10, 2013

To the Board of Control
Rapides Parish Library

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rapides Parish Library, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Rapides Parish Library's basic financial statements, and have issued our report thereon dated May 10, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Rapides Parish Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rapides Parish Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Rapides Parish Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Rozier, Harrington & McKay
Certified Public Accountants

RAPIDES PARISH LIBRARY

SCHEDULE OF FINDINGS AND QUESTIONED COST **For the Year Ended December 31, 2012**

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the basic financial statements of the Rapides Parish Library as of December 31, 2012 and for the year then ended expressed an unqualified opinion.
- The audit did not disclose any audit findings which are considered to be significant control deficiencies or material weaknesses.
- The results of the audit disclosed no instances of noncompliance required to be reported in the Schedule of Findings and Questioned Cost.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

There were no findings of this nature.

RAPIDES PARISH LIBRARY

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2012

SECTION I Internal Control And Compliance Material To The Financial Statements.	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION II Internal Control and Compliance Material to Federal Awards	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION III Management Letter	
No management letter was issued with this report.	Response – N/A

RAPIDES PARISH LIBRARY

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST For the Year Ended December 31, 2011

SECTION I Internal Control And Compliance Material To The Financial Statements.	
No findings were reported in the schedule of findings and questioned costs.	Response – N/A
SECTION II Internal Control and Compliance Material to Federal Awards	
No findings of this nature were reported as a result of the previous audit.	Response – N/A
SECTION III Management Letter	
No management letter was issued with the previous audit.	Response – N/A